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### **Pa. Legislature Aims to Improve Stafford Loans**

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Penn State student loans are under scrutiny following the drafting of a state Senate bill that would open up the market to more competition.

Pennsylvania Higher Education Assistance Agency (PHEAA) currently works with PNC Bank and a number of other lenders to provide student Federal Stafford loans and administer grants and special programs to about 80 percent of Pennsylvania's lending market, said PHEAA spokesman Keith New.

Sen. Robert Wonderling, R-Montgomery, drafted Senate bill 822 to increase lending competition, which could decrease student Stafford loan rates in Pennsylvania, said John Basial, Wonderling's chief of staff. A Stafford loan is a low-interest loan designed to provide students with funds to help pay for college.

The bill, introduced July 2, would require PHEAA to send an annual audit to the General Assembly for approval as well as force PHEAA to pay \$16 million annually to the Department of Education so the department can take over grant distribution.

Sen. Robert Mellow, D-Lackawanna, one of the bill's five co-sponsors, said he hopes the bill will change who is in charge of administering money, among other things. "Let PHEAA approve the grants and loans, but the Department of Education should be in charge of distributing it," Mellow said. "They will be completely responsive to the General Assembly."

PHEAA only has a few members that report to the legislature, he said.

Mellow added that Penn State students should not be concerned of any negative effects stemming from the bill and said application process and criteria for the loans would not change.

Chuck Ardo, spokesman for Gov. Ed Rendell, said he was hesitant to comment on the bill because the legislative process could alter the bill's contents.

The bill would also require PHEAA to allow other lenders that have more than \$1 million in student loans access to its operating systems, Basial said.

Don Heller, a Penn State education professor, said students could either receive loans from an organization such as PHEAA or Sallie Mae, or from a direct lender such as the federal government. He said Penn State uses private lenders for student loans.

"Open up [lending] competition with more options, and ultimately students will benefit with lower rates," Heller said.

Sallie Mae spokesman Tom Joyce said PHEAA initially rejected a \$1 billion bid by the company in December to provide loan service to the state because PHEAA did not want Sallie Mae controlling its funds.

Joyce said the offer is still on the table and added that even if Sallie Mae were to control PHEAA's funds, PHEAA would "remain in place" and staffing would not decrease.

However, New said PHEAA is not looking to sell to Sallie Mae anytime soon because a different mindset exists in for-profit and non-profit lending companies.

Joyce said the company's Pennsylvania rewards program is about \$200 less per student than PHEAA's in the state. He added that many Penn State students do not have access to Sallie Mae's Stafford loans because PHEAA controls much of the market share.

"Schools should have a fair and open competition among student lenders," Joyce said.

In response to Sallie Mae's Pennsylvania rewards program, New said it's a "marketing game" and is all in how the numbers are "crunched."

New said it was untrue that PHEAA controls the market because PNC Bank is the No. 1 lender in Pennsylvania, with PHEAA at No. 2, and Sallie Mae at No. 3 for federal student loan programs with consolidation loans. New added that there are more than 380 lenders in Pennsylvania that students can choose from.

"[Competition] equals lower rates on loans for students, and that's what we're interested in," New said.

Penn State spokesman Bill Mahon declined to comment because he said that he had not yet heard of the senate bill.